

## Message Text

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60

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 OMB-01 AID-05 CIEP-01 TRSE-00 COME-00 EB-07

AGR-05 OPIC-03 /091 W

----- 016900

R 171210Z OCT 75

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 3601

INFO AMEMBASSY LONDON

AMEMBASSY NEW DELHI

LIMITED OFFICIAL USE COLOMBO 3345

E.O. 11652 N/A

TAGS: PINT, ECON, CE

SUBJ: TAKE OVER OF COMPANY-OWNED ESTATES

REF: COLOMBO 2630

1. SUMMARY: BILL TO VUZIONALIZE FOREIGN AND  
LOCALLY-OWNED COMPANY ESTATES PASSED IN  
NATIONAL STATE ASSEMBLY (NSA), OCTOBER 14 WITH NO  
OPPOSITION. BILL ALSO PROVIDES FOR TAKEOVER  
OF AGENCY HOUSES WHICH WILL NONETHLESS MANAGE  
ESTATES FOR SOME TIME. EXTEND OF LAND NATIONALIZED IS  
415,508 ACRES. COMPENSATION WILL BE PAID IN LOCAL  
CURRENCY WITH RESTRICTIONS ON CONVERSION AND REPATRIATION.  
THERE IS NO DOUBT ESTATES NATIONALIZATION HAS STRONG POLITICAL  
SUPPORT ALTHOUGH TRADE CHAMBERS AND PLANTERS' ASSOCIATIONS  
FEAR DECLINE IN PRODUCTION. END SUMMARY.

2. NSA OCTOBER 14 PASSED LAND REFORM (AMENDMENT) BILL  
TO NATIONALIZE FOREIGN AND LOCALLY-OWNED PRULIC  
COMPANY ESTATES. THERE WAS NO OPPOSITION. ALL  
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MEMBERS VOTED FOR BILL AND MINISTER OF AGRICULTURE

AND LANDS, HECTOR KOBBEKADUWA, WHO MOVED IT RECEIVED OVATION FROM ALL SIDES.

3. BILL ALSO PROVIDES FOR TAKEOVER OF AGENCY HOUSES (MANAGING COMPANIES WHO RAN ESTATES FOR VARIOUS OWNERS) AND GIVES GSL POWER TO REMOVE OR APPOINT AGENCY HOUSE DIRECTORS. HOWEVER, ESTATES WILL CONTINUE TO BE MANAGED BY AGENCY HOUSES, FUNCTIONING AS TRUSTEES, FOR UP TO 10 YEAR PERIOD. THIS CAN BE EXTENDED FURTHER WITH MINISTER'S APPROVAL. SOME ESTATES ARE LIKELY TO BE TURNED OVER TO THE STATE PLANTATION CORPORATION. AN AMENDMENT PROPOSED BY INDEPENDENT MP PRINS GUNASEKERA THAT NO COMPENSATION SHOULD BE PAID FOR FOREIGN-OWNED ESTATES WAS DEFEATED WITH 5 VOTING FOR AND 69 AGAINST. MINISTER KOBBEKADUWA OBSERVED THAT AS GOVERNMENT IS COMMITTED TO PURSUE "DEMOCRATIC" PRINCIPLES, IT HAD TO ACCEPT PRINCIPLE OF PAYING COMPENSATION.

4. LAND WHICH WILL BE NATIONALIZED IS 415,508 ACRES: 292,1261/ACRES UNDER TEA, 110,021 ACRES UNDER RUBBER, 8,036 ACRES UNDER COCONUT AND 5,325 ACRES UNDER OTHER PRODUCTS. NUMBER OF ESTATES IS 396, OUT OF WHICH 376 WERE MANAGED BY 22 AGENCY HOUSES AND 20 WERE MANAGED BY OWNING COMPANIES. THESE 396 ESTATES WERE OWNED BY 232 COMPANIES, OF WHICH 87 WERE FOREIGN (STERLING) COMPANIES INCORPORATED IN GREAT BRITAIN, AND 145 WERE LOCAL (RUPEE) COMPANIES, SOME OF WHICH FOREIGNERS ALSO HOLD AN INTEREST.

5. ACCORDING PROVISIONS OF BILL, COMPENSATION WILL BE PAID IN LOCAL CURRENCY, SUBJECT TO THE EXISTING EXCHANGE CONTROL REGULATIONS WHICH IMPOSE RESTRICTIONS ON CONVERSION TO FOREIGN CURRENCY AND REPATRIATION. AGRICULTURE MINISTER INDICATED IN HIS SPEECH THAT PRIOR AGREEMENT ON COMPENSATION QUESTION HAD BEEN WORKED OUT WITH BRITISH AUTHORITIES.

6. TRADE CHAMBERS AND PLANTERS' ASSOCIATIONS HAVE EXPRESSED GRAVE CONCERN OVER THE IMPLICATIONS OF LIMITED OFFICIAL USE

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NATIONALIZATION, PARTICULARLY OF LOCAL COMPANY ESTATES. THEY HOLD THAT PROPRIETARY ESTATES PREVIOUSLY TAKEN OVER UNDER LAND REFORM AND RUN BY COOPERATIVES HAVE BEEN BADLY MANAGED WITH RESULTING DECLINE IN

PRODUCTION.

POLITICALLY, HOWEVER, THERE IS NO DOUBT THAT ESTATE NATIONALIZATION HAS CONSIDERABLE SUPPORT. AS ATTESTED BY

UNANIMOUS VOTE IN ASSEMBLY. RADIO ADDRESS BY PRIME  
MINISTER MAY BEST EXPRESS MOOD OF COUNTRY: SHE  
DEPICTED ESTATES NATONALIZATION AS ACT SIGNIFYING  
FINAL ATTAINMENT OF INDEPENDENCE, ECONOMIC AS WELL AS  
POLITICAL.  
VAN HOLLEN

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NATIONALIZATION, AGRICULTURE, RUBBER  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 OCT 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Authority:** KelleyW0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**TAGS:** PINT, ECON, CE  
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